



54

**PURE SILVER MINES LIMITED**  
**FOURTH ANNUAL REPORT, 1970**







## PURE SILVER MINES LIMITED

*Directors* A. J. ANDERSON, Toronto  
W. S. EPLETT, Willowdale  
W. H. GROSS, Mexico, D.F.  
D. A. LOWRIE, Willowdale  
F. W. MAUND, Toronto  
E. L. SAMUEL, Mississauga  
D. E. G. VASEY, Toronto

*Officers* A. J. ANDERSON, President  
W. H. GROSS, Vice-President and Managing Director  
T. F. C. COLE, Secretary  
W. S. EPLETT, Treasurer

*Auditors* THORNE, GUNN, HELLIWELL & CHRISTENSON  
Toronto

*Transfer Agent* MONTREAL TRUST COMPANY  
Toronto and Vancouver

*Head Office* 110 Yonge Street, Suite 1700, Toronto

*Executive Office* 401 Bay Street, Suite 2306, Toronto

*Shares Listed* on The Toronto Stock Exchange



# PURE SILVER MINES LIMITED

## REPORT OF THE DIRECTORS

### TO THE SHAREHOLDERS:

The Directors take pleasure in presenting the Fourth Annual Report on the operations of your Company. This covers the year ended March 31, 1970 and includes Financial Statements and your Auditors' Report.

Several interim communications to shareholders were issued during the year advising of the progress on our various interests in Mexico. The results of such work, to date, have been quite gratifying and are fully described by your Vice-President and Managing Director in his accompanying report dated August 10, 1970.

Our joint venture association with Compañía Minera Fresnillo, S.A. and Industrias Peñoles, S.A., on three of the properties, continues very happily.

The following is a summary of the Company's property interests:

- (a) **Peregrina:** Pure Silver and its partners, Fresnillo, and Peñoles, have recently exercised their option, entered into in May, 1968, to purchase all the shares of Negociación Minera Santa Lucia, S.A., the Mexican company which holds the Peregrina property. In so doing, Pure Silver has acquired 30% of the capital of Santa Lucia on payment of 500,000 shares of Pure Silver Mines Limited, and \$60,000 (net) and will be re-imbursed by Fresnillo and Peñoles with respect to 70% of such shares, a total of \$262,500 payable \$10,937.50 per month over 24 months.

A new production shaft will be sunk during the current year and the mine will be on a producing basis soon thereafter.

- (b) **Mexex:** The Company owns 92% of the issued shares of Mexico Exploration (Canada) Limited which holds 30% of the shares of Compañía Minera Las Torres, S.A. which in turn holds the Veta Madre (Mother Lode) property and other properties.

The diamond drilling to date on the Veta Madre has given excellent results as detailed in the Vice-President's report. A contract to sink a 2,000 foot production shaft has been let to Patrick Harrison & Company Limited of Toronto and work has commenced.

- (c) **Grupo Cedro:** These claims which adjoin the Veta Madre claims to the east and "up dip" on the structure are presently held under option from the owner, Comisión de Fomento Minero (Mexican Government.) These claims are to be transferred to a new Mexican Company and Pure, (through Mexex) along with its Mexican partners and the Government will participate in this new Company. The addition of these properties will give added protection to the Veta Madre development both from the ore position and for surface facilities.
- (d) **Cebada:** The Company, with partners, holds an option with respect to shares of Compañía Minera Cebada mining property. The option has been extended to May, 1973. The rehabilitation and deepening of the old shaft is continuing.
- (e) **San Pedro Mill:** The Company, with partners, holds an option on the San Pedro Mill, which, like the mining properties above mentioned, is in the Guanajuato mining camp. The present development production from the Peregrina is being treated in this mill.
- (f) **Logjam Creek:** The Company holds all interest in 19 mineral claims in the Yukon. No work was done on this property during the year to allow the Company to concentrate its efforts on Mexico.



- (g) **Tormex:** The Company owns 8.6% of the issued shares of Tormex Mining Developers Limited. That company is carrying out an extensive exploration and property development program in Mexico.
- (h) **Lacanex:** As authorized by Shareholders, the Company for \$105,500 acquired—100,000 shares and warrants to purchase 50,000 shares of Lacanex Mining Company Limited.

## **PROPOSED REORGANIZATION AND FINANCING**

A substantial mining, exploration and development program has been planned for the Guanajuato properties. It is estimated that total capital expenditures in the neighbourhood of \$8,000,000 to \$12,000,000 will be required over the next three years. The Company will be required to advance 30% of these funds or \$2,400,000 to \$3,600,000.

In addition, the 8% interest in Mexico Exploration (Canada) Limited not now owned by the Company has been made available for purchase for \$625,000 and the vendors have agreed to buy 50,000 shares of the Company at \$2.50. An independent evaluation of this interest has been made and your Directors recommend that it be purchased.

In order to expand the Company's exploration activities in Mexico, an agreement has been negotiated with (among others) Tormex Mining Developers Limited under which the Company will purchase an additional 833,000 shares at 80¢ per share for a total of \$666,400 and will then own approximately 21% of the issued and outstanding shares of Tormex. Embodied in the agreement is the right to purchase additional shares in the future if and when they become available. The Company will undertake to provide future funds to Tormex by way of loan for development projects.

The proposed financing with its accompanying streamlining of operations is outlined in the enclosed information circular and approval of the plan will be requested from shareholders at the Annual Meeting.

In summary, it provides for the sale to Ducanex Resources Limited, of 1,450,000 shares of the Company at \$2.50 per share to net the treasury \$3,625,000. Ducanex is a Canadian company jointly owned by Du Pont of Canada Limited and Lacanex Mining Company Limited and managed by Lacanex. Further, Du Pont will make available to the Company \$4,000,000 by way of loan. In addition, Ducanex will purchase approximately 20% of Tormex on the same basis as the Company's purchase of Tormex shares. At the same time Du Pont will purchase for \$122,277 the Company's holdings in Lacanex.

To provide the necessary shares, the authorized capital of the Company will be increased to 7,000,000 shares. Upon completion of the financing and if all outstanding options are exercised, and the debentures converted, the total issued and outstanding capital of the Company will be some 5,500,000 shares.

Your directors consider that this overall plan is most advantageous to the Company and they recommend its adoption at the Shareholders' Meeting. They believe the additional financing will give tremendous impetus to the Company and that the shareholders can look forward to material progress in the year ahead.

Respectfully submitted, on behalf of the Board,

Toronto, Ontario  
August 12, 1970.

A. J. ANDERSON, President.



**PURE SILVER MINES LIMITED**  
(Incorporated under the laws of Ontario)  
and subsidiary company, Mexico Exploration (Canada) Limited

**CONSOLIDATED BALANCE SHEET—MARCH 31, 1970**  
(with comparative figures at March 31, 1969)

ASSETS	1970	1969
<b>CURRENT ASSETS</b>		
Cash.....	\$ 4,718	\$ 16,403
Short term securities and accrued interest.....		390,614
Receivable from associated companies.....	12,471	
Other amounts receivable and deposits.....	11,125	6,009
	<u>28,314</u>	<u>413,026</u>
<b>INVESTMENT IN ASSOCIATED COMPANIES, at cost (note 2)</b>		
Tormex Mining Developers Limited.....	75,000	75,000
Lacanex Mining Company Limited.....	105,500	
Other associated companies:		
Shares.....	69,705	75,000
Advances.....	24,227	77,150
	<u>274,432</u>	<u>227,150</u>
<b>FIXED ASSETS, at cost</b>		
Mining machinery and equipment.....	33,193	33,193
Office furniture and fixtures.....	27,206	212
Leasehold improvements.....	11,808	
	<u>72,207</u>	<u>33,405</u>
Less accumulated depreciation and amortization.....	10,361	
	<u>61,846</u>	<u>33,405</u>
<b>MINING CLAIMS IN CANADA, at cost (note 4).....</b>	<u>155,270</u>	<u>155,270</u>
<b>OTHER ASSETS AND DEFERRED CHARGES</b>		
Advances for Mexican exploration.....	18,886	18,886
Deposit held by trustee (note 3).....	98,000	98,000
Note receivable, due May 3, 1971.....	3,240	
Other advances.....		24,884
Exploration, administrative and other expenditures deferred.....	990,124	615,804
Organization expenses deferred.....	4,803	4,803
Other deferred charges.....	583	
	<u>1,115,636</u>	<u>762,377</u>
	<u>\$1,635,498</u>	<u>\$1,591,228</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities.....	\$ 31,342	\$ 14,724
Notes payable.....	2,652	
	<u>33,994</u>	<u>14,724</u>
<b>INCOME DEBENTURES</b>		
8% Convertible income debentures, due April 1, 1978, secured by shares of subsidiary company (note 5).....	538,500	681,000
<b>INTEREST OF MINORITY SHAREHOLDERS IN SUBSIDIARY COMPANY.....</b>	<u>24,004</u>	<u>24,004</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK (note 6)</b>		
Authorized—5,000,000 shares without par value		
Issued —2,616,500 shares (1969—2,424,000 shares).....	1,039,000	871,500
	<u>\$1,635,498</u>	<u>\$1,591,228</u>

Approved by the Board  
A. J. ANDERSON, Director  
W. H. GROSS, Director



# PURE SILVER MINES LIMITED

and subsidiary company, Mexico Exploration (Canada) Limited

## CONSOLIDATED STATEMENT OF EXPLORATION, ADMINISTRATIVE AND OTHER EXPENDITURES DEFERRED—YEAR ENDED MARCH 31, 1970

(with comparative figures for 1969)

	<u>1970</u>	<u>1969</u>
<b>EXPLORATION EXPENDITURES</b>		
Mexico		
Project participation—Cebada, Peregrina and La Veta Madre		
Joint venture expenditures.....	\$743,193	\$270,458
Less expenditures of participants (70%).....	520,235	189,321
Project participation (30%).....	<u>222,958</u>	<u>81,137</u>
Expenditures on the Peregrina property for the period (July 14, 1967 to May 6, 1968) prior to the initiation of the joint venture project		
Exploration.....		51,976
Legal.....		6,454
		<u>58,430</u>
Other field expenditures		
Engineering fees and expenses.....	17,855	28,674
Geological.....	5,646	
Legal.....	1,567	4,543
Travel.....	4,986	
Sundry.....	10,298	5,656
	<u>40,352</u>	<u>38,873</u>
Other areas		
Goodchild Lake.....	53,538	20,298
Yukon.....	488	1,430
	<u>54,026</u>	<u>21,728</u>
	<u>317,336</u>	<u>200,168</u>
<b>ADMINISTRATIVE EXPENSES.....</b>	<u>77,451</u>	<u>77,176</u>
<b>FINANCING EXPENSES</b>		
Debenture discount.....		75,000
Debenture issue expenses.....		17,846
		<u>92,846</u>
	<u>394,787</u>	<u>370,190</u>
<b>DEDUCT</b>		
Interest earned.....	20,467	25,153
Excess of book value of subsidiary company's net assets over cost of acquiring shares.....		28,501
	<u>20,467</u>	<u>53,654</u>
<b>EXPENDITURES (net) for the year (note 1).....</b>	374,320	316,536
<b>Balance deferred at beginning of year.....</b>	<u>615,804</u>	<u>299,268</u>
<b>Balance deferred at end of year.....</b>	<u><u>\$990,124</u></u>	<u><u>\$615,804</u></u>



**PURE SILVER MINES LIMITED**  
and subsidiary company, Mexico Exploration (Canada) Limited

**CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS**  
**YEAR ENDED MARCH 31, 1970**  
(with comparative figures for 1969)

	<u>1970</u>	<u>1969</u>
<b>SOURCE OF FUNDS</b>		
Issue of capital stock for cash.....	\$ 25,000	\$270,000
Issue of convertible income debentures.....		675,000
Sale of shares in other associated companies.....	5,295	
Repayment of other advances.....	24,884	
	<u>55,179</u>	<u>945,000</u>
 <b>APPLICATION OF FUNDS</b>		
Exploration, administrative and other expenditures.....	<u>374,320</u>	<u>316,536</u>
Less non-fund items		
Decrease in advances to other associated companies.....	52,923	
Depreciation and amortization.....	10,361	
Discount on issue of debentures.....		75,000
Excess of book value of subsidiary company's net assets over cost of acquiring shares.....		<u>(28,501)</u>
	<u>63,284</u>	<u>46,499</u>
	311,036	270,037
Investment in Lacanex Mining Company Limited.....	105,500	
Investment in Tormex Mining Developers Limited.....		75,000
Additions to fixed assets.....	38,802	2,905
Funds deposited with trustee under the Peregrina option agreement.....		98,000
Advances for Mexican exploration.....		18,886
Advances to associated companies.....		12,796
Working capital deficiency of subsidiary company acquired.....		37,186
Note receivable.....	3,240	
Other deferred charges.....	583	
	<u>459,161</u>	<u>514,810</u>
Increase (decrease) in working capital position.....	(403,982)	430,190
Working capital (deficiency) at beginning of year.....	<u>398,302</u>	<u>(31,888)</u>
Working capital (deficiency) at end of year.....	<u>\$ (5,680)</u>	<u>\$398,302</u>



**PURE SILVER MINES LIMITED**  
and subsidiary company, Mexico Exploration (Canada) Limited

**ADMINISTRATIVE EXPENSES—YEAR ENDED MARCH 31, 1970**  
(with comparative figures for 1969)

	<u>1970</u>	<u>1969</u>
Salaries.....	\$ 25,895	\$ 6,600
Rent.....	11,479	4,876
Legal.....	12,232	42,883
Accounting and audit.....	7,225	5,450
Transfer agency fees.....	4,604	5,162
Stock exchange listing and expenses.....	5,400	
Travel and accommodation.....	3,256	4,848
Printing and stationery.....	5,633	1,921
Telephone and telegraph.....	5,474	2,310
Subscriptions and library.....	1,585	
Publicity, advertising and public relations.....	6,405	1,342
Office supplies and expense.....	4,199	
Administrative expenses in Mexico.....	2,371	
Employee benefits.....	422	
Depreciation of office furniture and fixtures.....	5,441	
Amortization of leasehold improvements.....	4,920	
Miscellaneous.....	2,637	1,984
	<u>109,178</u>	<u>77,376</u>
Less administrative expenses recovered from associated companies.....	31,727	200
	<u>\$ 77,451</u>	<u>\$ 77,176</u>

**AUDITORS' REPORT**

To the Shareholders of  
PURE SILVER MINES LIMITED

We have examined the consolidated balance sheet of Pure Silver Mines Limited and subsidiary company, Mexico Exploration (Canada) Limited as at March 31, 1970 and the consolidated statements of exploration, administrative and other expenditures deferred and source and application of funds for the year then ended. Our examination of the financial statements of Pure Silver Mines Limited of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the subsidiary company.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada  
June 24, 1970

THORNE, GUNN, HELLIWELL & CHRISTENSON  
Chartered Accountants



**PURE SILVER MINES LIMITED**  
and subsidiary company, Mexico Exploration (Canada) Limited

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—MARCH 31, 1970**

**1. Basis of Consolidation**

In accordance with an agreement dated February 29, 1968, the company acquired 92% of the shares of Mexico Exploration (Canada) Limited (Mexex). Mexex has changed to a March 31 fiscal year end and accordingly the 1970 consolidated financial statements include the accounts of Mexex for the fifteen months ended March 31, 1970. The 1969 consolidated financial statements include the accounts of Mexex for its fiscal year ended December 31, 1968. On consolidation, a credit balance arises because the book value of the net assets of the subsidiary company exceeded the cost of the shares. This credit was deducted from deferred exploration and administrative expenditures.

As agreed on purchase of the interest in Mexex

- (a) The company has reserved for issue at 65¢ per share a further 50,000 shares of its capital stock if Plata de Guanajuato, S.A. (a company in which Mexex has a 34% interest) obtains certain mining concessions by February 28, 1978;
- (b) As part consideration for the acquisition of shares of Mexex, the company granted an option to purchase an aggregate of 300,000 shares of the company's capital stock which is exercisable only after 180 days of production at 200 metric tons of ore per day from any of the properties owned by the Mexican affiliates of Mexex and having proved ore reserves of not less than 100,000 metric tons, and before October 31, 1977, as follows:

100,000 shares at \$2.00 per share  
100,000 shares at \$2.50 per share  
100,000 shares at \$3.00 per share

- (c) An option until October 31, 1970 to purchase at 40¢ per share 100,000 unissued shares of Mexex, is held in trust for the company.

**2. Investment in Associated Companies**

The investment in Tormex Mining Developers Limited consists of 150,000 shares and 75,000 warrants expiring June 30, 1971 entitling the holder to purchase one common share for 80¢ for each warrant held. The quoted market value of the shares held amounted to \$97,500 at March 31, 1970.

The investment in Lacanex Mining Company Limited consists of 100,000 shares and 50,000 warrants expiring June 30, 1975 entitling the holder to purchase on or before June 30, 1972 one common share for \$1.50 or thereafter one common share for \$2.50. The quoted market value of the shares held amounted to \$95,000 at March 31, 1970.

The subsidiary company owns 1,500 shares (30% interest) in Cia. Minera Las Torres, S.A. and 170 shares (34% interest) in Plata de Guanajuato, S.A. at March 31, 1970. These shares, plus an additional 950 shares in Cia. Minera Las Torres, S.A., were acquired in prior years for 750,000 shares of the subsidiary valued at \$75,000. Pursuant to an agreement dated February 23, 1968 the subsidiary sold 950 shares in Cia. Minera Las Torres, S.A. during the year to Compania Fresnillo, S.A. for U.S. \$7,600 less debts of Torres totalling \$2,897 at the date the option was exercised.

**3. Options to Purchase Mexican Mining Interests**

- (a) Assignment of options

With the approval of the shareholders, the company acquired an assignment of two options to purchase Mexican mining interests. In consideration for the assignment, the company granted an option on 250,000 shares of its capital stock at 50¢ per share. The option has been exercised with respect to 125,000 shares and may be exercised with respect to the remaining 125,000 shares by October 29, 1971.

- (b) Cebada option

Under this agreement the company, along with Compania Fresnillo, S.A. (Fresnillo) and Metalurgica Mexicana Penoles, S.A. (Penoles) has an option until May 3, 1971

- (i) to acquire 75% of the shares of Compania Minera Cebada, S.A. (the Cebada company) and certain machinery and equipment for U.S. \$75,000 and 225,000 shares of the company's capital stock, and
- (ii) to acquire the "San Pedro" mill and other equipment for U.S. \$100,000.

During the option period, the company, Fresnillo and Penoles are required to maintain a minimum balance of U.S. \$5,000 monthly (company's share, \$1,500) on deposit to meet exploration expenditures on the Cebada properties.

If the options are exercised, the company is to have a 30% interest in the Cebada shares and the machinery and equipment and is required to contribute as consideration as follows:

- (i) For the Cebada shares and certain machinery and equipment, U.S. \$30,000 and 225,000 shares of the company's capital stock, for which the company is to be partially compensated by receiving U.S. \$101,250 from Fresnillo and Penoles;
- (ii) For the "San Pedro" mill and other equipment, U.S. \$30,000.



(c) **Peregrina option**

Under this agreement the company, along with Compania Fresnillo, S.A. (Fresnillo) and Metalurgica Mexicana Penoles, S.A. (Penoles) had an option until May 3, 1970 to acquire all the Class A and Class B shares of Negociacion Minera Santa Lucia, S.A. (the Santa Lucia company) and the debt of the Santa Lucia company presently owing to a Canadian company of Cdn. \$450,243 in consideration for Cdn. \$200,000 and 500,000 shares of the company's capital stock. The company, Fresnillo and Penoles were required to spend Cdn. \$240,000 on exploration and development of the Santa Lucia properties. As at March 31, 1970 the companies had expended \$468,952.

This option was exercised on April 29, 1970. Under the terms of the option the company received 3,000 Class B shares representing a 30% interest in the Santa Lucia company, and a 30% interest in the purchased debt and was required to contribute Cdn. \$139,920 and 500,000 shares of the company's capital stock for which the company is to be partially compensated by receiving Cdn. \$342,420 from Fresnillo and Penoles. Of this amount, Cdn. \$79,920 was received upon exercise of the option and the remainder will be received in 24 monthly instalments of Cdn. \$10,937.50 each.

For two years after the exercise of the Peregrina option, provided that at least 200,000 of the company's shares are owned by one of the parties to the option agreement, none of the Class B shares of Santa Lucia acquired by the company under the option agreement shall be disposed of without the consent of such party. The deposit of Cdn. \$98,000 which was in the hands of a trustee at March 31, 1970 was used in making the required contribution of \$139,920 in exercising the Peregrina option.

**4. Mining Claims in Canada**

Mining claims in Canada at March 31, 1970 and March 31, 1969 comprise the following:

- 19 claims in the Watson Lake Mining District, Yukon Territory, acquired for 750,000 shares of capital stock issued at 20¢ each, and
- 54 unpatented claims in the Goodchild Lake Area, Ontario (75% interest).

**5. Debentures**

During the year ended March 31, 1969 the company issued \$750,000 8% convertible income debentures. The debentures may be converted into shares of the company at any time prior to October 1, 1977 at the rate of 500 shares per \$500 principal amount of debentures. Interest is payable on June 30, each year at 8% per annum only to the extent that the company has made a net profit (defined in the Trust Indenture) in its immediately preceding fiscal year.

During the year ended March 31, 1970 \$142,500 debenture principal was converted into 142,500 shares of the company's capital stock (1969-\$69,000 debenture principal converted into 69,000 shares).

**6. Capital Stock**

(a) During the year ended March 31, 1970 shares were issued as follows:

- 50,000 shares for \$25,000 cash under an option granted for assignment of Mexican mining interest
- 142,500 shares on conversion of \$142,500 debentures

During the year ended March 31, 1969 shares were issued as follows:

- 105,000 shares for \$270,000 cash
- 150,000 shares for \$97,500 as partial consideration for 1,215,046 shares of Mexico Exploration (Canada) Limited
- 69,000 shares on conversion of \$69,000 debentures

(b) If all options to purchase and conversion rights are exercised, the company would be required to issue shares of its capital stock as follows:

<u>Transaction</u>	<u>No. of shares</u>
(i) Options outstanding	
Assignment of Mexican Mining interest.....	125,000
(ii) Conditional options	
On Veta Madre achieving specified production requirements.....	300,000
Employee stock option on completion of one year of employment, may exercise up to maximum of 5,000 shares per year for each of first three years thereafter. Option expires November 30, 1974.....	15,000
(iii) Conditional purchase obligations	
On acquisition of specified additional property by the subsidiary.....	50,000
On exercise of the Cebada option.....	225,000
On exercise of the Peregrina option.....	500,000
(iv) Conversion of debentures.....	538,500
	<u>1,753,500</u>

**7. Remuneration of Directors and Senior Officers**

Remuneration of the company's directors and senior officers (as defined by The Corporations Act of Ontario) amounted to \$45,121 for 1970 and \$19,600 for 1969.

**8. Comparative Figures**

Certain of the 1969 figures have been reclassified for comparative purposes.



## Technical Report

President and Directors,  
PURE SILVER MINES LIMITED,  
Suite 2306, 401 Bay Street,  
Toronto, Ontario.

Dear Sirs:

During the year the Company confined activities to the exploration and development of its gold-silver properties at Guanajuato, Mexico, shown in Figure 1. With over 2,500,000 metric tons of ore now indicated on the various properties, and with the expectation of finding considerably more ore, particularly on the Mother Lode property, the Company, along with its partners, Fresnillo and Penoles, are speeding up the rate of development. Production shafts on the Mother Lode (Las Torres), Peregrina and Cebada properties are expected to be completed during 1971. Once the shafts are completed, mine development will move ahead with the object of being in full production during 1972.

Experience in the district indicates that good recoveries of gold and silver can be made from Guanajuato ores by either the cyanide or flotation process. Concentration tests on the Mother Lode and Peregrina ores is being done in laboratories, both in Mexico and Canada to determine the most practical and economical recovery method. A feasibility study is also underway to determine the capital requirements, operating costs, and profit margins of a 1,000—1,500—2,000 ton per day plant. Once the size of the operation, and the flow sheet have been determined, detailed engineering and design of the plant will start immediately. It is expected that capital costs of the mine, the concentrator and related facilities will vary between \$8,000,000 and \$12,000,000, depending on the size of the operation.

### Mother Lode (Las Torres)

In September, 1968, a program of deep drilling was started on the property of Las Torres to try to locate the buried extension of the productive Mother Lode fault zone, which, in the vicinity of the Serena mine, was believed to have been faulted to the south-east. (see figure 1).

To date, 14 deep holes, totaling about 21,800 feet have been drilled. This drilling has indicated approximately 2,100,000 tons of ore, grading about 16 ounces of silver and 0.10 ounces of gold per ton after allowing for dilution during mining. Details of the drill results follow:

Hole No.	Approximate Location	Approximate Depth Below Surface (feet)	Assay in oz. Gold per Ton	Assay in Oz. Silver per Ton	Approx. True Width (feet)	Remarks
1	0+00	1,220	0.13	17.00	33	In rhyolite lava
2	0+00	1,450	0.07	12.7	68	In rhyolite lava
3	330'N	1,100	0.08	15.0	6	Top of ore zone
4	330'S	1,400	Low	Low	109	In rhyolite lava
5	1700'S	1,400	Low	Low	20	In rhyolite lava
5A	5000'S	900	0.10	5.0	21	Old hole
6	230'N	1,500	0.23	57.2	40	In rhyolite lava
7	200'S	1,500	0.08	21.7	110	In rhyolite lava
8	200'S	1,200	0.09	19.7	50	In rhyolite lava
9*	140'N	1,090	0.13	62.0	9	Top of ore zone
10	0+00	1,730	0.09	15.1	30	In rhyolite lava
11	360'N	1,500	0.10	17.35	45	In rhyolite lava
12	0+00	730	Low	Low	8	Above ore zone
13	590'N	1,400	Low	Low	50	Strong structure
14	820'N	1,600	0.03	10.0	70	In conglomerate

\*Poor core recovery

There is little doubt that the south-east extension of the principal Guanajuato ore zone has been found. So far only about 650 feet of the three mile structure held by the Company has been drilled in any detail.



These holes were located in a valley about one mile south of the cross fault shown on Figure 1. In order to speed up the exploration of the extensive structure, particularly to the north towards the cross fault, an additional drill will be added to the two surface drills currently at work.

Sufficient ore has been drill indicated on this property to warrant going underground. Consequently, a circular production shaft 18 feet in diameter is being sunk to a depth of about 2,000 feet. The shaft is located at drill hole 13, (see figure 1) which went through a low-grade section of the structure.

It is expected that the concentrator will be built near the shaft which is about three miles by road from the city of Guanajuato. Adequate ground has been acquired for the placing of mine buildings, rock dumps and tailings disposal.

### **Peregrina**

This property has been partially opened up underground on three levels. The amount of vein exposed to date on each level is summarized below:

<u>Level (approx. Cubo Mine equiv.)</u>	<u>4th</u>	<u>6th</u>	<u>10th</u>
No. 1 Vein (Villalpando).....	502 feet	1,574 feet	1,033 feet
No. 2 Vein (La Cruz).....		302 "	
No. 3 Vein (Reina Isobel).....		295 "	
No. 4 Vein (San Francisco).....		274 "	
No. 5 Vein (Villalpando Ex).....		164 "	
No. 6 Vein (Echada).....		804 "	

Although a considerable amount of development is needed to arrive at proved tonnages, rough estimates indicate approximately 840 tons of ore per vertical foot, grading 10.1 oz. of silver and 0.09 oz. of gold, after including low-grade sections in the veins and allowing for mine dilution. On the adjoining Cubo Mine, the veins have a vertical range of more than 1,000 feet. If it is assumed that the ore on Peregrina extends only over a vertical distance of 740 feet, then the indicated tonnage is approximately 620,000 tons.

The mine has been developed so far from an exploration shaft. A production shaft site has been selected (see figure 1) and the shaft will be raised from the 6th level. It is proposed to truck the Peregrina ore approximately two miles to the new concentrator which will be constructed on the Mother Lode property. The mine will be ready for full production at about 300 tons per day by the time the concentrator has been constructed.

### **La Cebada**

The Cebada property was optioned because the ground covers about three miles of the strike extension of the Mother Lode structure to the northwest. Nine diamond drill holes into an 800 foot section of the structure indicated approximately 100,000 tons of ore averaging 0.19 oz. of gold and 47 oz. of silver per ton. Further drilling along strike also cut ore intersections. A shaft, whose location is shown on Figure 1, is being sunk to a depth of 1,000 feet as the first stage of the development at Cebada. The shaft had to penetrate some old mine workings that lay above the drill indicated ore. As a result, the progress in sinking this shaft has been much slower than expected. It is expected that the shaft will be down to its projected depth during 1971. In the meantime, the working option on the property has been extended to May 3, 1973.

### **Other Properties**

A program of surface geological mapping and underground work is continuing on the properties known as El Hallazgo, El Triunvirato and Thesalia and indicated on Figure 1. Although Pure Silver intends to concentrate on bringing its ore bodies in Guanajuato into production, it plans to participate in further exploration in Mexico through its shareholdings in Tormex Mining Developers Limited. No exploration or development work was done during the year in Canada.

Respectfully submitted,

Mexico City  
August 10, 1970.

W. H. GROSS,  
Managing Director.











